

Message Text

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PAGE 01 BAGHDA 01058 200859Z
ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 EB-08 MCE-00 CIAE-00 INR-10
NSAE-00 SP-02 L-03 /047 W
-----057449 202013Z /41
R 200811Z MAY 78
FM USINT BAGHDAD
TO USDOC WASHDC
INFO SECSTATE WASHDC 6203
AMEMBASSY ATHENS

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ATHENS FOR RTDO

E.O. 11652: N/A
TAGS: BEXP, ETRD, IZ
SUBJECT: TWO U.S. COMPANIES IN FINAL CONTENTION FOR IRAQI
LOCOMOTIVES

REF: (A) BAGHDAD 1011, (B) ATHENS 3966.

1. MINISTRY OF TRADE OFFICIAL TOLD USINT OFFICER MAY 17
THAT BIDDERS FOR GOI'S PURCHASE OF LOCOMOTIVES HAD BEEN
NARROWED TO TWO AMERICAN COMPANIES - GENERAL MOTORS AND
GENERAL ELECTRIC. BIDDING IS FOR 47 LOCOMOTIVES WITH AN
OPTION FOR AN ADDITIONAL 10, WIRTH NEARLY 1 MILLION
DOLLARS PER COPY.

2. REPRESENTATIVES OF GENERAL MOTORS AND GENERAL
ELECTRIC HAVE MADE PRESENTATIONS TO THE LOCOMOTIVE TENDER
COMMITTEE IN THE PAST WEEK AND THEY BELIEVE THAT
THE STATE ORGANIZATION FOR RAILWAYS HAS ELIMINATED THE
PRINCIPAL NON-AMERICAN COMPETITOR, MONTREAL LOCOMOTIVE
WORKS, FROM FINAL CONTENTION BECAUSE OF FIRM'S POOR
PERFORMANCE ON PREVIOUS CONTRACT. IN ADDITION, FRENCH,
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JAPANESE AND EASTERN EUROPEAN COMPETITION HAVE BEEN
EXCLUDED ON TECHNICAL GROUNDS.

3. BOTH GENERAL MOTORS AND GENERAL ELECTRIC HAVE
ASKED THE GOI TO WAIVE ALL BOYCOTT REQUIREMENTS BUT SO
FAR IRAQIS HAVE NOT RESPONDED. GE REPRESENTATIVE BELIEVES
THAT TENDER COMMITTEE WOULD NOT HAVE NORROWED

COMPETITION TO TWO U.S. FIRMS WHICH CANNOT MEET IRAQI
BOYCOTT REQUIREMENTS UNLESS THE TENDER COMMITTEE HAD
PREVIOUSLY SOUGHT CLEARANCE FROM HIGHER AUTHORITY.

4. COMMENT. THE FACT THAT MINISTRY OF TRADE OFFICIAL
OF HIS OWN VOLITION RAISED THE LOCOMOTIVE CONTRACT WITH
USINT OFFICER TENDS TO CONFIRM GE REPRESENTATIVE'S
IMPRESSION. NORMALLY OFFICIAL WOULD NOT BE INVOLVED IN
AWARD OF THE CONTRACT UNLESS IT POSED A POLICY ISSUE THAT
HAD BEEN REFERRED TO THE MINISTRY OF TRADE OR THE
SUPREME TRADE COUNCIL. HOWEVER, REFERRING THE
MATTER TO HIGHER AUTHORITY DOES NOT NECESSARILY MEAN THAT
THE IRAQIS HAVE DECIDED TO WAIVE THE BOYCOTT REQUIREMENTS.
IN THE SIMILAR CASE OF THE NORTHERN GAS PROJECT, FOR
EXAMPLE, THE STATE ORGANIZATION FOR OIL PROJECTS
NEGOTIATED WITH AN AMERICAN COMPANY FOR NEARLY A YEAR
BEFORE GOI DECIDED TO ACCEPT SECOND BEST RATHER THAN TO
WAIVE REQUIREMENTS. NONETHELESS, THE GOI'S
PURCHASE OF BOEING AIRCRAFT PROVIDES A PRECEDENT IN
THE TRANSPORTATION SECTOR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE PROMOTION, BUSINESS FIRMS, PROPOSALS (BID), ROLLING STOCK
Control Number: n/a
Copy: SINGLE
Draft Date: 20 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BAGHDA01058
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780213-0316
Format: TEL
From: BAGHDAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780538/aaaabfxe.tel
Line Count: 83
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9672179a-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 BAGHDAD 1011, 78 ATHENS 3966
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2630323
Secure: OPEN
Status: NATIVE
Subject: TWO U.S. COMPANIES IN FINAL CONTENTION FOR IRAQI LOCOMOTIVES
TAGS: BEXP, ETRD, IZ, GENERAL MOTORS, GENERAL ELECTRIC
To: COM
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/9672179a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014